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1981-82
Annual Report

Alberta Petroleum
Incentives Program Fund

Alberta

ENERGY AND
NATURAL RESOURCES
ALBERTA PETROLEUM INCENTIVES PROGRAM

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ENERGY AND NATURAL RESOURCES

Deputy Minister
of Energy Resources

403/427-7727
Telex 037-3676
Petroleum Plaza South Tower
9915 - 108 Street
Edmonton, Alberta, Canada
T5K 2C9

March 09, 1983

The Honourable John Zaozirny
Minister of Energy and Natural Resources
407 Legislature Building
Edmonton, Alberta
T5K 2B6

Sir:

I have the honour of presenting to you the annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ending March 31, 1982.

The first incentive grant payments under the Alberta Petroleum Incentives Program were not made until June, 1982. This report, therefore, deals only with the costs and expenditures associated with the development and administration of the Program.

Respectfully submitted,

G. B. Mellon
Deputy Minister
Energy Resources

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OVERVIEW OF THE FUND IN 1981-82

This report summarizes the activities and costs of the Alberta Petroleum Incentives Program (APIP) for the fiscal year ending March 31, 1982.

As part of the Canada/Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation, the province agreed to administer and fund that portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The federal program (PIP) was announced in October, 1980, and provided cash grants for Canadian owned and controlled companies in lieu of the earned depletion allowance contained in the corporate income tax system.

Legislation establishing the Alberta Petroleum Incentives Program and Fund was passed by the Legislative Assembly in November, 1981, and the administrative structures and procedures were set up over the subsequent six-month period. APIP offices are located in Calgary, in proximity to the great majority of headquarter operations associated with Alberta's oil and gas exploration industry.

The objective of APIP is to encourage the exploration and development of the province's petroleum and natural gas resources. Incentive grants are calculated and paid upon application as defined percentages of eligible exploration and development expenses, as these activities are completed and as costs and expenses are incurred.

An industry advisory committee was established in December, 1981, to ensure that the exploration industry's and potential investors' comments and suggestions are accounted for in developing and delivering the APIP program. Industry also has been consulted in developing the forms and paperwork procedures used by applicants in applying for APIP incentive grants.

SUMMARY OF INCENTIVES

Expenses eligible for APIP grants include expenses incurred while drilling exploratory wells, expenses incurred while drilling wells to delineate the extent of oil and gas fields, and, drilling and asset costs for tertiary recovery projects.

Up to 35 per cent of incurred eligible costs and expenses can be claimed under the program. The rate of incentives received by any one applicant is determined by the applicant's Canadian ownership rate and Canadian control status.

To be eligible for APIP incentives, costs and expenses must be incurred between January 1, 1981 and December 31, 1986, the five-year life of the program.

No applications for incentives were received or payments made by APIP in fiscal 1981-82 because the program was not fully operational. Applications for incentives owing from January 1, 1981 to March 31, 1982 will be paid in following fiscal periods.

ALBERTA PETROLEUM INCENTIVES PROGRAM FUND

FINANCIAL STATEMENTS

MARCH 31, 1982

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ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy and
Natural Resources

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1982 and the statement of expenditure and fund equity (deficit) for the period from November 20, 1981 to March 31, 1982. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1982 and the results of its operations for the period then ended in accordance with generally accepted accounting principles.

C.A.
Auditor General

Edmonton, Alberta
November 22, 1982

Statement A

ALBERTA PETROLEUM INCENTIVES PROGRAM FUND

BALANCE SHEET

AS AT MARCH 31, 1982

ASSETS

	$ -

LIABILITIES AND FUND EQUITY (DEFICIT)

Liabilities:	
Due to the General Revenue Fund	$1,705,544
Fund Equity (Deficit), Statement B	(1,705,544)
	$ -

The accompanying notes are part of these financial statements.

Statement B

ALBERTA PETROLEUM INCENTIVES PROGRAM FUND

STATEMENT OF EXPENDITURE AND FUND EQUITY (DEFICIT)

FOR THE PERIOD FROM NOVEMBER 20, 1981 TO MARCH 31, 1982

EXPENDITURE

Administrative expenses (Note 3)	$1,705,544
Deficit at the end of period	$1,705,544

ALBERTA PETROLEUM INCENTIVES PROGRAM FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1982

Note 1 Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981, which received Royal Assent and came into force on November 20, 1981.

Note 2 Significant Accounting Policies and Reporting Practices

Contributions from the General Revenue Fund are recorded when requested pursuant to section 3(1) of the Act.

Liabilities for incentive grants are recorded when approved.

Note 3 Administrative Expenses

Administrative expenses are estimated and charged to the Fund pursuant to section 3(8) of the Act. Costs incurred during the period ended March 31, 1982 by the General Revenue Fund in connection with the administration of the Fund are summarized below by nature of expenditure:

Professional, technical and labour services	1,202,617
Salaries, wages and payments to contract employees	192,748
Equipment purchase	132,300
Materials and supplies	80,738
Travel expenses	35,888
Advertising	20,437
Employee benefits	14,515
Rentals	11,943
Freight and postage	5,601
Telephone and communications	3,812
Repairs and maintenance	3,182
Allowances and supplementary benefits	1,185
Hospitality	319
Data processing services	259
	$1,705,544

Note 4 Incentive Grants

The Act provides for retroactive application of the program to January 1, 1981. As no applications were received by the Fund prior to March 31, 1982 in respect of the period January 1, 1981 to March 31, 1982, no incentive grants were paid. Payment of incentive grants in respect of qualifying activities of applicants carried out between January 1, 1981 and March 31, 1982 will be made in subsequent years. The amount to be expended is not determinable.

Note 5 Approval of Financial Statements

These financial statements were approved by management on November 22, 1982.